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C O N F I D E N T I A L ASUNCION 000039

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WHA/FO CMC MULLEN, WHA/BSC MDRUCKER, BFRIEDMAN, MDASCHBACH

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TAGS: [ECON](#) [PREL](#) [SNAR](#) [MASS](#) [PGOV](#) [PA](#)
SUBJECT: LUGO CONTINUES DIALOGUE ON SECURITY ISSUES

REF: ASUNCION 14

Classified By: CDA Michael J. Fitzpatrick; reasons 1.4 (b) and (d).

¶1. (C) SUMMARY: President Lugo summoned Charge January 12 as a follow-up to their January 5 meeting (reftel). On Lugo's top regional priority -- Brazil -- Lugo told Charge Brazilian President Lula expressed concern about the property rights of Brazilians in Paraguay; Lugo said he was telling Lula that he will guarantee the rights of all Brazilians who legally own Paraguayan property. Lugo's domestic priority right now is judicial reform and the continued deadlock over how to reform the corrupt and politicized Supreme Court. Lugo also worried about narcotics trafficking and its ties to social protests and incipient guerrilla groups, and its hindering of land reform and anti-corruption efforts. Lugo said his government will soon provide a formal response to our inquiries about continued U.S. military assistance for the Joint Immediate Response Detachment (DCEI), saying it was his "personal view" that such support should continue. END SUMMARY.

¶2. (C) Early January 12, President Lugo summoned Charge d'Affaires for a morning meeting as a follow-up to their January 5 meeting (reftel). Presidential legal advisor Emilio Camacho and Chief of Staff Miguel Lopez Perito accompanied Lugo; A/DCM (notetaker) accompanied Charge. Following over a half-hour of lighthearted chit-chat about Lugo's just-concluded domestic travels (with Lugo pouring over a map of Paraguay to show Charge where he had gone), the Ambassador's whereabouts and return, and the recent arrest of the son of a Liberal senator for drunk driving, Lugo turned almost reluctantly to substance.

BRAZIL AND LAND REFORM

¶3. (C) Lugo told the Charge that Brazilian President Lula expressed concern about the property rights of Brazilians in Paraguay; Lugo said he was communicating formally to Lula that he will guarantee the rights of all Brazilians who legally own land in Paraguay (implying that those illegally occupying lands may not fare so well). Lugo acknowledged receiving pressure from Brazilian business interests in Paraguay on the issue. He animatedly identified large swaths of national territory, where, he said, Brazil has huge land holdings. Lugo spoke highly of Lula and their budding personal relationship, saying his counterpart had expressed goodwill toward Paraguay on both the financial crisis and Itaipu negotiations. Lugo's warmth for Lula was evident as he said that Lula calls him "companero," but lamented that "Lula is not all of Brazil." Lugo drew a stark contrast between Lula and Itamarati, which Lugo viewed as unhelpful on Itaipu and other issues. Lugo said when he last saw both Lula and Foreign Minister Celso Amorim, Amorim told Lugo

Brazil would "study" the Itaipu issue some more; Lula quickly contradicted Amorim, saying "no we won't." Lugo told Charge of his plans to launch his agricultural reform pilot program later in the day in San Pedro Department (septel).

LUGO'S NEXT CHALLENGE: JUDICIAL REFORM

14. (C) Lugo mentioned that his team would be meeting this week on judicial reform -- Lugo's other top challenge along with land reform -- and the continued deadlock on how to reform the Supreme Court, which is widely viewed as corrupt and politicized. Lugo expressed frustration with the political parties' continued demands to use a political quota system to fill the two current vacancies and five other seats due to come open in March, as opposed to a merit-based selection process. He alleged (correctly) that the political parties seek only to protect their impunity. Lugo recognized the need for both judicial reform and stability. He mused out loud that only one justice -- Colorado Tony Fretes -- had tenure and could serve as the next Supreme Court president.

CORRUPTION AND COUNTERNARCOTICS

15. (C) Lugo told Charge that his cabinet just completed a two-day retreat focused on anti-corruption. While his administration is making progress against corruption at high levels, he concluded, they have not had the same success at the working level. Lugo speculated that Customs officials continue to steal goods and that mid-and-lower level government officials still solicit bribes. He pointed out that most ministries have internal auditors and formal controls, but with limited capacity. Lugo highlighted the work of anti-corruption prosecutors and noted the pressure they continue to receive in the form of threats and public criticism -- a sign that they are doing good work.

16. (C) Lugo briefly touched on counternarcotics, worrying about trafficking within Paraguay's borders. He said his travels have confirmed that narcotraffickers control the land along many of Paraguay's borders, as well as in Paraguay's interior such as San Pedro and Concepcion Departments (currently the home area of the incipient EPP guerrilla movement). He expressed concern about money laundering via the cattle industry and showed interest in an improved asset forfeiture law to give Paraguay's counternarcotics secretariat (SENAD) a cash infusion. The best airplane in the country, he noted, is not in the Air Force, but is a rusting, legally unusable airplane seized several years ago from the Mendez Mesquita narcotics organization.

MIL-TO-MIL RELATIONS

17. (C) As Charge started to thank the President for the meeting, Lugo informed Charge that his government will soon provide a response to our inquiries about whether the GOP wants continued U.S. military assistance for the Joint Immediate Response Detachment (DCEI). Lugo told Charge that he wanted to be transparent with the USG, and therefore disclosed that Paraguayan Defense Minister Bareiro planned to discuss the DCEI at a meeting with his regional counterparts January 15. Lugo promised a response to the U.S. inquiry after that meeting. (NOTE: That meeting, which we subsequently learned was to involve ministers of defense from Ecuador, Bolivia, Argentina and Paraguay, was to discuss possible joint political responses to Brazil on unidentified defense issues. But the meeting was postponed. END NOTE). Lugo said he was personally very appreciative of U.S. assistance for the DCEI, and said it was his personal belief that such assistance should continue. Lugo, who received his daily military brief just before meeting with Charge, acknowledged the Paraguayan military's "many failures." He

said, however, that his military forces were very pleased with U.S. training and equipment. He was also pleased with the military's ongoing efforts to place renewed emphasis on intel collection and analysis.

COMMENT

18. (C) Lugo continues to demonstrate keen interest in keeping our bilateral relations on track. The point of this meeting, which Lugo reached only in the last minutes of the hour-long chat, was clearly to be responsive to our request for formal input about the DCEI. We expect to receive such input soon although subsequent reports suggest the issue has become immersed in larger intra-coalition politics. Lugo also asked numerous questions about President-elect Obama's inauguration, and may attend an Embassy-organized event on the 20th to watch the televised swearing-in. Lugo noted the great enthusiasm and high expectations that Americans have for Obama, just as the Paraguayan people have for him. His comparison demonstrates that Lugo already feels connected to our incoming president, an important political building block given the premium Lugo places on personal relationships. END COMMENT.

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